

Press Release

Dewar's Garage Limited

September 10, 2020

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs.71.25 Cr. (Enhanced from Rs.46.25 Cr)
Long Term Rating	ACUITE B/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B**' (**read as ACUITE B**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.71.25 Cr bank facilities of Dewar's Garage Limited. The outlook is '**Stable**'.

Incorporated in 1995, Dewar's Garage Limited (DGL) is an authorized dealer of Maruti Suzuki India Limited (MSIL). Currently, the company is headed by Mr. Sudhir Jhujhunwala, Mr. Rohit Kedia, Mr. Bhavnesh Gujral and Mr. Rajeev Mantri. The company is having 6 showrooms (3 showrooms for new vehicles and 3 showrooms for pre-owned vehicles), 2 workshops and 2 stockyards in Kolkata, West Bengal.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of DGL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

The key promoter of Dewar's Garage Limited (DGL), Mr. Sudhir Jhujhunwala has been in the industry for 25 years. Acuité derives comfort from the long experience of the promoter. Established in 1995, DGL has a long operational track record of 25 years in the automobile dealership industry. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Efficient working capital management**

The moderate working capital management of the company is marked by Gross Current Assets (GCA) of 93 days in 31st March 2020 (provisional) as compared to 101 days in 31st March 2019. The moderate level of GCA days is on account of a higher level of current assets which is due to claims from Maruti Suzuki India Limited in terms of incentive and discount. The debtor period stood comfortable at 15 days in 31st March 2020 (provisional) as compared to 31 days in 31st March 2019. The debtor days are mainly due to bills payable by insurance companies in workshops. Further, the inventory holding is comfortable at 41 days in 31st March 2020 (provisional) as compared to 38 days as on 31st March 2019. Acuité believes that the working capital operations of the firm will remain comfortable as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weakness

- **Below average financial risk profile**

The company's below-average financial risk profile is marked by modest networth, high gearing and weak debt protection metrics. The tangible net worth of the company declined to Rs.11.01 Cr as on March 31, 2020 (provisional) from Rs.12.19 Cr as on March 31, 2019 due to losses incurred by the company in FY2020. The gearing of the company stood high at 4.62 times as on March 31, 2020 (provisional) as against 4.54 times as on March 31, 2019. The debt of Rs.50.87 Cr consists of inventory funding from the bank of Rs.36.70 Cr, term loan

of Rs.12.19 Cr and current maturity of a term loan of Rs.1.98 Cr as on March 31, 2020 (provisional). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 6.55 times as on March 31, 2020 (provisional) as against 6.16 times as on March 31, 2019. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.02 times as on March 31, 2020 (provisional) and Debt Service Coverage Ratio at 0.74 times as on March 31, 2020 (provisional). Acuité believes that going forward the financial risk profile of the company will remain at below average over the medium term, in the absence of any equity infusion by the promoters.

- **Exposure to intense competition**

The company is exposed to intense competition from other dealers of Maruti Suzuki India Limited. The company is also facing competition from dealers operating in Kolkata of other automobile companies such as Hyundai, Mahindra, Tata, Renault, Kia Motors, Toyota, Volkswagen, Ford, Honda, to name a few.

Rating Sensitivity

- Growth in scale of operations while improving profitability margin
- Improvement in the capital structure
- Significant improvement in liquidity position

Material Covenant

None

Liquidity Profile: Poor

The company's liquidity position is poor, marked by low net cash accruals of Rs.0.10 Cr as on March 31, 2020 (provisional) as against long term debt repayment of Rs.1.80 Cr over the same period. The current ratio stood weak at 0.97 times as on March 31, 2020 (provisional) as compared to 1.01 times as on March 31, 2019. The fund based limit remains utilised at 76 per cent over the twelve months ended July, 2020. The company has availed loan moratorium, but not applied for any additional COVID loan. The cash and bank balances of the company stood at Rs.1.84 Cr as on March 31, 2020 (provisional) as compared to Rs.2.99 Cr as on March 31, 2019. However, the working capital management of the company is comfortable marked by Gross Current Assets (GCA) of 93 days in 31st March 2020 (provisional) as compared to 101 days in 31st March 2019. Going forward, Acuité believes the liquidity of the company will remain poor in the absence of growth in its revenues or operating margins generating lower than anticipated cash accruals.

Outlook: Stable

Acuité believes the outlook on Dewar's Garage Limited will remain stable over the medium term on account of experienced management, the long track record of operations and prudent working capital management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving improvement in operating margins, and improves its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or in case of deterioration in the company's financial risk profile and liquidity position or deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	212.02	226.95
PAT	Rs. Cr.	(1.15)	0.33
PAT Margin	(%)	(0.54)	0.14
Total Debt/Tangible Net Worth	Times	4.62	4.54
PBDIT/Interest	Times	1.02	1.36

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Dec-2019	Inventory Funding	Long Term	8.00	ACUITE B/Stable (Reaffirmed)
	Inventory Funding	Long Term	8.00	ACUITE B/Stable (Reaffirmed)
	Inventory Funding	Long Term	3.00	ACUITE B/Stable (Reaffirmed))
	Inventory Funding	Long Term	19.00	ACUITE B/Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B/Stable (Reaffirmed)
	Proposed Inventory Funding	Long Term	2.90	ACUITE B/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.35	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Reaffirmed)
14-Jan-2019	Inventory Funding	Long Term	11.20	ACUITE B/Stable (Assigned)
	Inventory Funding	Long Term	5.00	ACUITE B/Stable (Assigned)
	Inventory Funding	Long Term	3.00	ACUITE B/ Stable (Assigned)
	Inventory Funding	Long Term	13.00	ACUITE B/ Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE B/ Stable (Assigned)
	Proposed Inventory Funding	Long Term	8.80	ACUITE B/ Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B/Stable (Reaffirmed)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	13.00 (Enhanced)	ACUITE B/Stable (Reaffirmed)

				from Rs.8.00 Cr)	
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B/Stable (Reaffirmed))
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE B/Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	15.11	ACUITE B/Stable (Assigned)
Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	0.79 (Reduced from Rs.2.90 Cr)	ACUITE B/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research

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